Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Full Committee Hearing to Receive Testimony of
Federal Reserve Chairman Alan Greenspan
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Good morning, Mr. Chairman, and welcome back to the Committee.

All of us on the Financial Services Committee look forward to our discussions with you on U.S. economic performance, which so directly affects the lives and livelihoods of all Americans.

At this unique economic moment of war and renewal, there are many who deserve credit for the recovering economy. First and foremost are the American people---the American investor, who didn't panic and never lost faith, and the American consumer, who believes that the economy will continue to improve.

Our American companies have retooled in accordance with the Sarbanes-Oxley Act, thus improving financial reporting and bolstering confidence. Our markets continue to be the most productive capital creation organizations in the world. Despite predictions that companies would delist, they have not done so. In fact, companies continue to seek new listings in our deep and vibrant U.S. markets.

Mr. Chairman, the economy is recovering nicely from the mild recession of 2001. The market is back to pre-recession levels, fixed investment is up, unemployment is down from its peak, exports are up, the balance of payments is down, and none of the Blue Chip 50 forecasters predict growth rates of less than the mid-three percent rate or inflation higher than the mid-two percent ranges for this year or next. Most of the Blue Chip forecasts are much more optimistic.

Two items that have everyone's attention are the employment figures and the deficit numbers. There is understandable concern about both. I'm sure we would all prefer budget surpluses and would like every American who seeks a job to have one, right now. However, I believe these are temporary problems attributable to temporary conditions.

Despite some alarmist commentary, the deficit numbers for this year are understandable given the terror attack, a recession, corporate governance problems, and war. While they are higher than we would like, even after all of these events, the deficit is still at only about 3.5 percent of GDP. According to the President's budget, the deficit will be half that level in five years. The alternative would be to stop investing in economic stimulus or to fight against terror on the cheap, and I don't think the American people would want either of those options.

Mr. Chairman, I know you favor pay-as-you-go budgeting. However, the President's tax cuts have helped to sustain the U.S. economy especially in the face of recent shocks. In addition to the headline-grabbers of terrorism, war, and corporate scandal, we faced a European currency unit that sank in value by a third, which damaged the value of our exports.

Regarding employment levels, Mr. Chairman, I hope that you will be able to add some perspective to the national debate. When I studied economics, and until just a few years ago, the accepted theory was that roughly six percent was full employment. This is about where we are now. During the bubble economy of the late 1990s, that rate went down in the four percent range and briefly hovered at 3.9 percent. To many of us, it seemed as if one of the laws of economics had been repealed.

Then, with the recession, unemployment increased again, over 6 percent, though I should quickly add we have been seeing steady job creation since late July.

Mr. Chairman, I think most of us on both sides of the aisle believe the American economy will create additional jobs, and their quality will improve as the economy continues to adapt to changing times. We would welcome your thoughts on job creation and what we in Congress might do to help.

With that, Mr. Chairman, I look forward to your appearance here, which is always a great occasion for this Committee. We thank you for your stewardship of the economy, and I now yield to the gentleman from Massachusetts, Mr. Frank, for his opening statement.

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